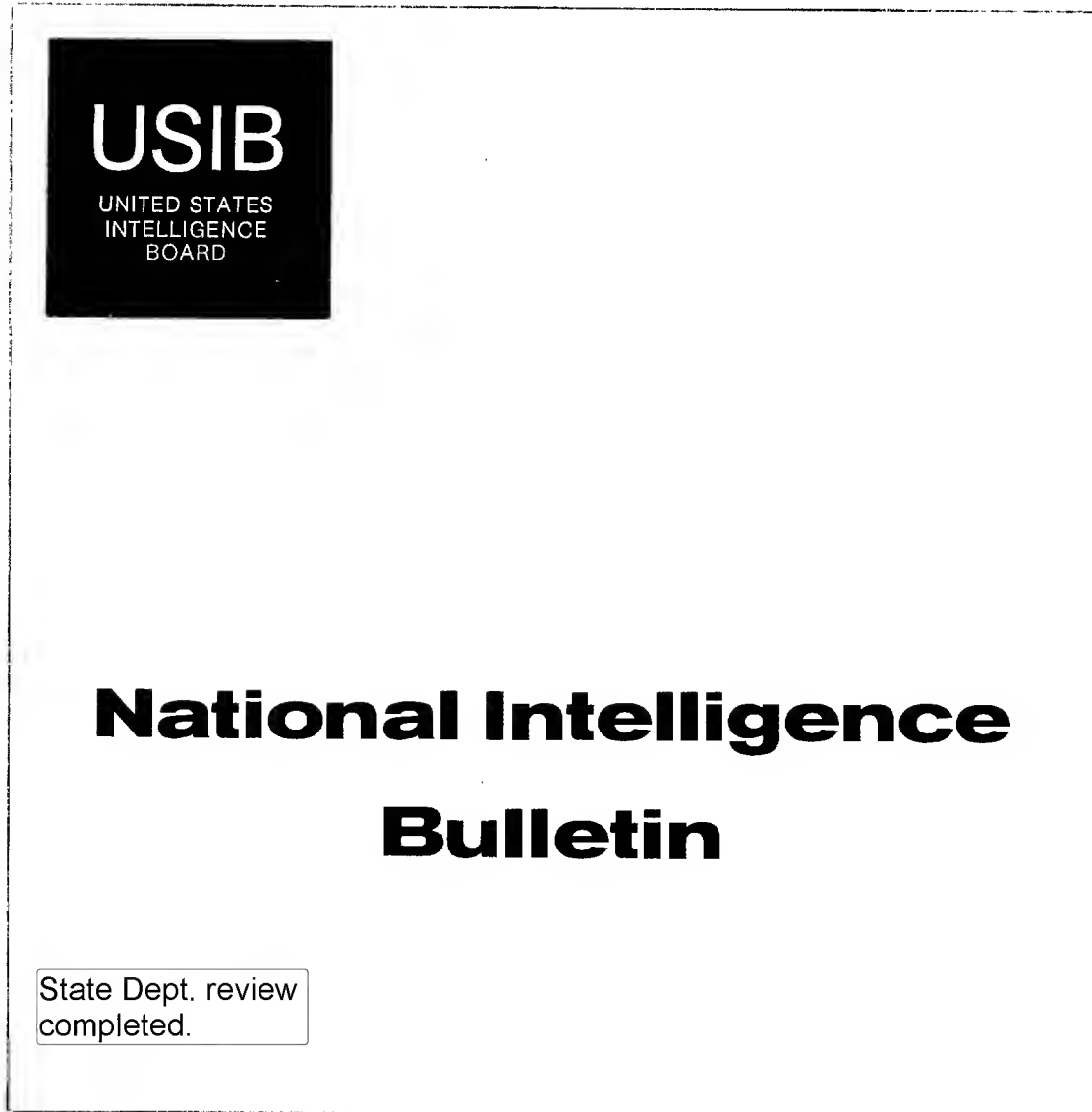


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PORTUGAL

The turmoil surrounding a rally to be held this Saturday in support of President Spínola has sharpened differences between factions within the government and heightened political tensions in Lisbon.

The leftist-dominated media has heavily criticized the rally, which is now scheduled for September 28, for being a "fascist-sponsored" attempt to resurrect the old regime. The Communist and Socialist parties have issued strong statements opposing the rally, but center-right parties are welcoming it as a means for the Portuguese people to express support for Spínola.

Incidents of violence could serve as a pretext for the dismissal of Prime Minister Gonçalves. Spínola has been dissatisfied over Gonçalves' management of the government, particularly the decolonization process. The Portuguese press also has suggested that the Communists are considering pulling out of the government in view of the defeats it has suffered in the cabinet recently.

These developments, particularly if they are accompanied by violence, might encourage a power grab by conservative forces.

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The evolving situation is a risky one for Spínola. The media's coverage of the rally has connected him with a resurgence of fascism that may be difficult for him to live down. In addition, if the rally is a failure, his opponents will use it as evidence of his lack of popular support. On the other hand, a successful rally will strengthen Spínola's position and will provide impetus to his renewed efforts to establish a system of government that is not in danger of being overtaken by authoritarian elements of the right or the left.

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ISRAEL

Prime Minister Rabin appears to be preparing the Israeli public for a more flexible approach by the government to Middle East peace negotiations, and particularly for additional US pressures on Tel Aviv in the tough negotiations ahead with the Arabs.

In a press interview at the end of his visit to the US earlier this month, the Prime Minister cautioned Israeli readers that although US support for Israel continues, it would be wrong to disregard the importance Washington attaches to consolidating its position with the Arab states. Rabin stressed that the nature of US relationships in the area had changed since the October war. He assessed US concern over the use of the oil weapon as only one factor in US policy, but noted that it is, nevertheless, an element that does not work in Israel's favor.

Rabin, in a subsequent interview on Israeli television, again rejected a withdrawal to pre-1967 lines, but said that if there was a "real" prospect of obtaining "true" peace with one or more Arab states, he would favor a compromise, and perhaps even a "far-reaching" compromise. Noting, however, that the Arabs were not ready to agree to negotiations without preconditions that looked toward definitive peace settlements, Rabin said that Israel would have to accept the risks inherent in attempting to achieve peace by stages. The Prime Minister suggested that Israel would withdraw from part of the area it intended to give up in a final peace agreement in return for a declaration of nonbelligerence by the Arab states. The Prime Minister also said that Israel should test the Arabs with concrete proposals to see if they are ready to move toward peace.

Early this week, Rabin said in a newspaper interview that he had a "clear and detailed Israeli peace map," but that he would disclose it only to Arab negotiators in peace talks. In the past, Israeli government leaders have said that no maps would be prepared until the time came for detailed discussion with the Arabs of possible Israeli withdrawals to agreed borders.

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The Prime Minister's statements come at a time when, according to the US embassy in Tel Aviv, an increasing number of Israelis have come to believe that a new war--even if won--would not solve anything and that political answers to the Arab-Israeli conflict must be found. These Israelis reportedly recognize that any political approach must involve Israeli concessions.

Rabin's statements, however, are likely to distress those inside and outside the government who oppose territorial concessions. The embassy notes that a significant minority of Israelis remain convinced that no amount of Israeli moderation or concession will bring peace closer.

Meanwhile, public statements on Israeli preparedness made this week by Defense Minister Peres and Chief of Staff Gur revealed a marked change toward Syria from the strident militancy of the past few months. Peres, whose warnings against Syria have been among the toughest made by Israeli leaders, called on Syria "not to believe that Israel does not want agreement when in fact we are ready to make peace." He added that if the Syrians want to talk, "they will find us ready." Chief of Staff Gur--who has frequently accused Syria of violating the disengagement agreement--cautioned against exaggerating the seriousness of Syrian violations, noting that, as with all agreements, various interpretations are possible.

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EGYPT

Newly appointed Prime Minister Hijazi has reorganized the cabinet as the first step of a new effort to alleviate problems in the economy. The revamped cabinet was sworn in last night; Hijazi himself was elevated from first deputy prime minister on Tuesday.

Hijazi created two new cabinet posts, both concerned with various aspects of economic planning, and replaced four ministers whose performance in the economic sector has recently come under fire. The rest of the 37 cabinet members are holdovers from the outgoing government.

The new post of minister of state for economic cooperation upgrades to cabinet level the former Agency for Arab and International Economic Cooperation, created earlier this year to coordinate foreign investment in Egypt. The agency's head, Tahir Amin, follows his organization into the cabinet. Another new minister of state, handling "coordination and control," will apparently attempt to centralize and streamline the implementation of economic planning amid a welter of overlapping but uncoordinated government agencies.

Hijazi has also named new men to head the ministries of health, agriculture, industry, and supply in an apparent effort to speed movement toward economic development. Industrial revitalization is a key element of the government's plan, as is an improvement in the clogged internal distribution system under the jurisdiction of the Ministry of Supply. The recent rise in consumer discontent over commodity shortages has been attributable in large measure to the inadequacy of the distribution system.

Hijazi and President Sadat have been attempting for some months to cut through the red tape that has traditionally slowed the working of the government. Thus far, they have been unsuccessful in injecting vitality into an overstuffed public sector bureaucracy that has a vested interest in opposing efforts to streamline and liberalize the economy. [REDACTED]

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PALESTINIANS

The Popular Front for the Liberation of Palestine, led by George Habbash, yesterday withdrew from the Palestine Liberation Organization in protest against alleged PLO contacts with the US. Ahmad Yamani, the front's representative on the PLO executive committee, charged at a press conference that Saudi King Faysal was sponsoring the Palestinian-US contacts. The PLO has replied that this accusation is "based on false information" and has called on the popular front to rescind its decision.

Yamani said that his group, which has been a leading perpetrator of international terrorism, will continue the armed struggle against Israel. He added that the two other radical groups cooperating in the so-called Rejection Front--the Popular Front for the Liberation of Palestine-General Command and the Arab Liberation Front--may also leave the PLO.

The three radical groups had threatened in August to withdraw if the PLO's moderate leaders did not end their cooperation with Egypt's President Sadat in seeking a negotiated settlement. The PLO success last week-end in getting Egyptian and Syrian endorsement of the PLO as the "only" legitimate representative of the Palestinian people, which removed one impediment to Palestinian participation in formal peace talks, almost certainly contributed to the decision to withdraw at this time.

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BELGIUM-NATO

The Belgian government decided on September 25 to go ahead with its commitment to purchase the US-built Lance tactical missile system. The decision, which was reported by the Belgian armed forces procurement officer to the US defense attaché in Brussels, comes after three years of negotiations.

The Lance is designed to provide battlefield nuclear or conventional fire support at the army and corps level. NATO plans call for the Lance to replace the Honest John and Sergeant missiles in European NATO forces over the next four years. The US began replacing the older missiles in its European forces with the Lance in late 1973. In the NATO central region, only the Netherlands has refused to buy the Lance, despite an earlier understanding with West Germany, Britain, and Belgium that each purchase the system as part of its nuclear contribution to the defense of Europe.

The cost to Belgium amounts to \$24.3 million. This price includes 5 launchers, 100 missiles, and support equipment.

[redacted] Brussels intends to replace its two aging Honest John battalions with one Lance battalion, and hopes to have the Lance unit operational by May 1978.

Belgian Defense Minister Vanden Boeynants reportedly will tell the press tomorrow about its purchase of the Lance. This move should soothe Bonn, which has expressed concern that its two Benelux allies were considering ways to reduce their nuclear responsibilities.

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USSR-CYPRUS

The Soviets appear increasingly concerned that the lack of progress toward a solution of the Cyprus problem will result in partition.

General Secretary Brezhnev, in a speech at a Kremlin dinner on Wednesday in honor of visiting Hungarian party chief Kadar, devoted more time to the Cyprus issue than to any other subject. He stressed that the danger posed by NATO to international peace was demonstrated by "two NATO member countries" being responsible for the fighting and destruction on Cyprus. He emphasized that the international aspects of the situation could immediately and effectively be solved only within the framework of the UN and with appropriate international guarantees.

Brezhnev's indirect reference to Turkey's role in the affair is the closest Moscow has come to criticizing the Turks in public and may indicate a slight tactical shift in Moscow's approach to the Cyprus problem.

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USSR

The Soviet government is trying to minimize the damage done to its international image by the heavy-handed suppression of an unofficial art exhibit in a suburban Moscow field on September 15. After a week of negotiations, the dissident artists say they have now received firm permission from Moscow authorities--in writing, as they had insisted--to hold the art show on September 29 at an alternate site.

In making its decision, the government has been confronted by some difficult choices. It is concerned over the Soviet image abroad in an era of detente, and at a moment when CSCE negotiations are focused on cultural affairs. At the same time, it perceives the affair as a challenge to its authority at home. The government may hope that by allowing the show to be held--a public concession to unofficial art--in exchange for the artists' implicit admission that regulations and proper channels cannot be flaunted, it can minimize its losses on both counts.

The artists, for their part, appear to have backed off from their initial determination to return to the location of the original fracas and have apparently accepted the authorities' offer of space in an outlying park. Despite press attacks on the artists as publicity-seeking provocateurs, the offer was a culmination of other conciliatory gestures, including the prompt release of those arrested on September 15 and the subsequent return of some confiscated paintings.

The apparent compromise between artists and authorities has not precluded the possibility of trouble this Sunday, if in fact the show comes off. Many of the artists would probably like to set a precedent for the public showing of their officially disapproved art, rather than to provoke another confrontation. Others, however, may feel that to let the regime set the terms for the showing smacks of defeat for their cause and costs them an opportunity to dramatize the harshness of current cultural policies.

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CHILE

The government has begun to make good on its promise to release many political prisoners. The pace of the program could be slowed, however, by reluctance on the part of other nations to receive more Chilean refugees.

When he announced the initiative on September 11, junta President Pinochet implied that only prisoners who agreed to leave Chile would be released. It now appears that many of these prisoners will, in fact, be freed and allowed to remain in the country. On the other hand, the government has begun using a decree law issued last year to expel the "political activists" it has arrested, but has not brought to trial. The number of prisoners who will fall into the various categories cannot yet be determined. It seems likely, however, that several thousand Chileans soon will be looking for new homes abroad, faced with a general lack of enthusiasm for receiving them.

The negative attitude in Europe appears to be due primarily to economic considerations. Whatever the reasons for reluctance to receive more refugees, resettlement problems may compel Santiago to allow more former prisoners to remain in the country. This probably will slow the release program somewhat.

The government is likely to castigate publicly foreign critics who now fail to give refuge to the "oppressed" Chileans about whom they have professed to be so concerned. Chile also has not forgotten Pinochet's call on the Soviet Union and Cuba to free some of their political prisoners. Santiago has been collecting names of those prisoners from friends and relatives and urging international organizations to press Moscow and Havana on the issue. Foreign Minister Carvajal probably will raise the matter anew in his speech to the UN General Assembly.

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ARGENTINA

President Peron's effort to rush a sweeping anti-subversion bill through Congress will be successful, but may arouse suspicion among members of the opposition Radical Party. The bill was passed by the Senate last night and will likely be approved by the Chamber of Deputies later today.

The proposed legislation would give the government broad powers of enforcement, including the right to imprison accomplices of guerrillas, newsmen who report subversive activities, and recalcitrant strikers. This could involve jailing foreign correspondents. In the past, selected newsmen have been invited to secret press conferences held by leaders of extremist groups. Coverage of such events has been severely criticized by the government, which sees in such activity a conspiracy by the media to undermine its authority.

Radical senators reportedly objected to the bill on the grounds that generally worded provisions could be applied against opposition political activity. Earlier this year, they and several leftist Peronists used similar arguments to delay passage of a reform of the penal code backed by former president Juan Peron. Although the draft does include special provisions for convicted government workers that could also be challenged on constitutional grounds, criticism is unlikely to hold up enactment in light of ongoing rampant violence.

Full support for the measure from orthodox Peronists who make up the congressional majority is strengthened by the recent resignation of the remaining two leftist Peronist senators. In addition, members of small ultra-nationalist groups may assist passage, because the bill calls for the expulsion of convicted naturalized citizens and foreigners. Mrs. Peron's introduction is well-timed for quick enactment. The regular session of Congress ends next week, and discussion cannot be delayed for the special session, scheduled for late October, since penal reform is not on the agenda.

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**FOR THE RECORD**

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Panama: The government announced on September 25 that it had directed all chiefs of diplomatic and consular missions to resign. The action is apparently designed to replace veteran personnel with diplomats more attuned to the government's present goals as the sixth anniversary of the October 1968 revolution approaches. It is not expected to result in the replacement of Ambassador to Washington Nicolas Gonzalez Revilla. Panamanian government leader General Torrijos apparently is very pleased with his performance both as ambassador and Panama's deputy negotiator in canal treaty talks with the US. [REDACTED]

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India: While visiting Moscow from September 11 to 13, the chairman of the Indian Space Research Organization signed agreements with the Soviet Academy of Sciences establishing details for the launching of India's first satellite early next year. The 660-pound payload is expected to be launched from the Kapustin Yar test center in the USSR and placed in orbit at an altitude of 370 miles. Experiments aboard the vehicle will include x-ray astronomy, and solar neutron and gamma ray electron probes. Tracking facilities in India will be the primary center for receiving data transmitted by the satellite. Original plans included the use of an Indian-designed launch vehicle, but technical difficulties have slowed the development schedule for the Indian missile. [REDACTED]

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